

**NEWS RELEASE
STATE OF INDIANA
AUDITOR OF STATE
TIM BERRY**

**For Immediate Release
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Spending Constraints Maintain Indiana's Reserves
Auditor Berry Closes Books on Fiscal Year

Indianapolis (July 17, 2009) – Indiana's Auditor Tim Berry today announced that through strong fiscal management the state of Indiana has maintained its' financial reserve balance. Budgetary expenses were expected to increase by 3.9% during 2009, but were held to just one half of one percent (.5%). Since 2005 spending growth has been held to just 2.37%, well under the 5.88% annual growth that Indiana experienced in the eight preceding years.

“Measures taken early by Governor Daniels to restrain spending are paying off in helping to provide Indiana with prudent fiscal reserves,” said Auditor Berry. “The Governor’s spending controls accounted for savings of a half billion dollars this year alone.”

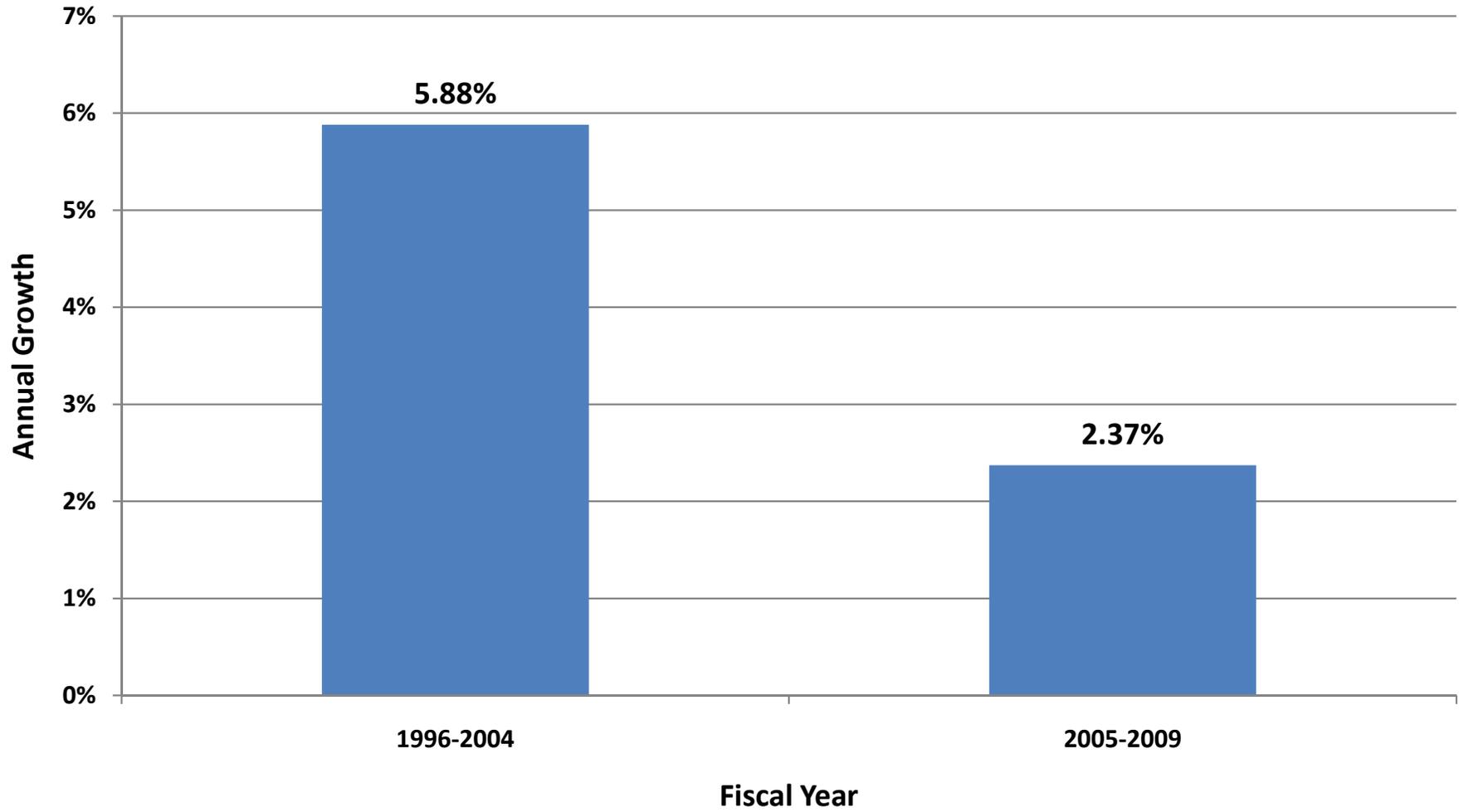
State reserves inched up \$26 million at fiscal year end to \$1.329 billion, and are expected to drop to \$1 billion by June 2011 under the budget recently passed by the General Assembly. Maintaining responsible reserves is important to guard against disaster during economic downturns. This year alone Indiana’s revenues fell \$963 million from 2008 levels, and were \$1.2 billion less than originally expected at the beginning of the year. The 2010 budget is calling for a 1.6% increase in revenue during the coming year.

“Indiana is in an enviable position, one of just a few states maintaining reserves, while not raising taxes or cutting education and public health programs,” Berry commented. “If Indiana were a stock, investors would be buying strong. While not out of the woods yet, Indiana is positioned to withstand the continued economic downturn.”

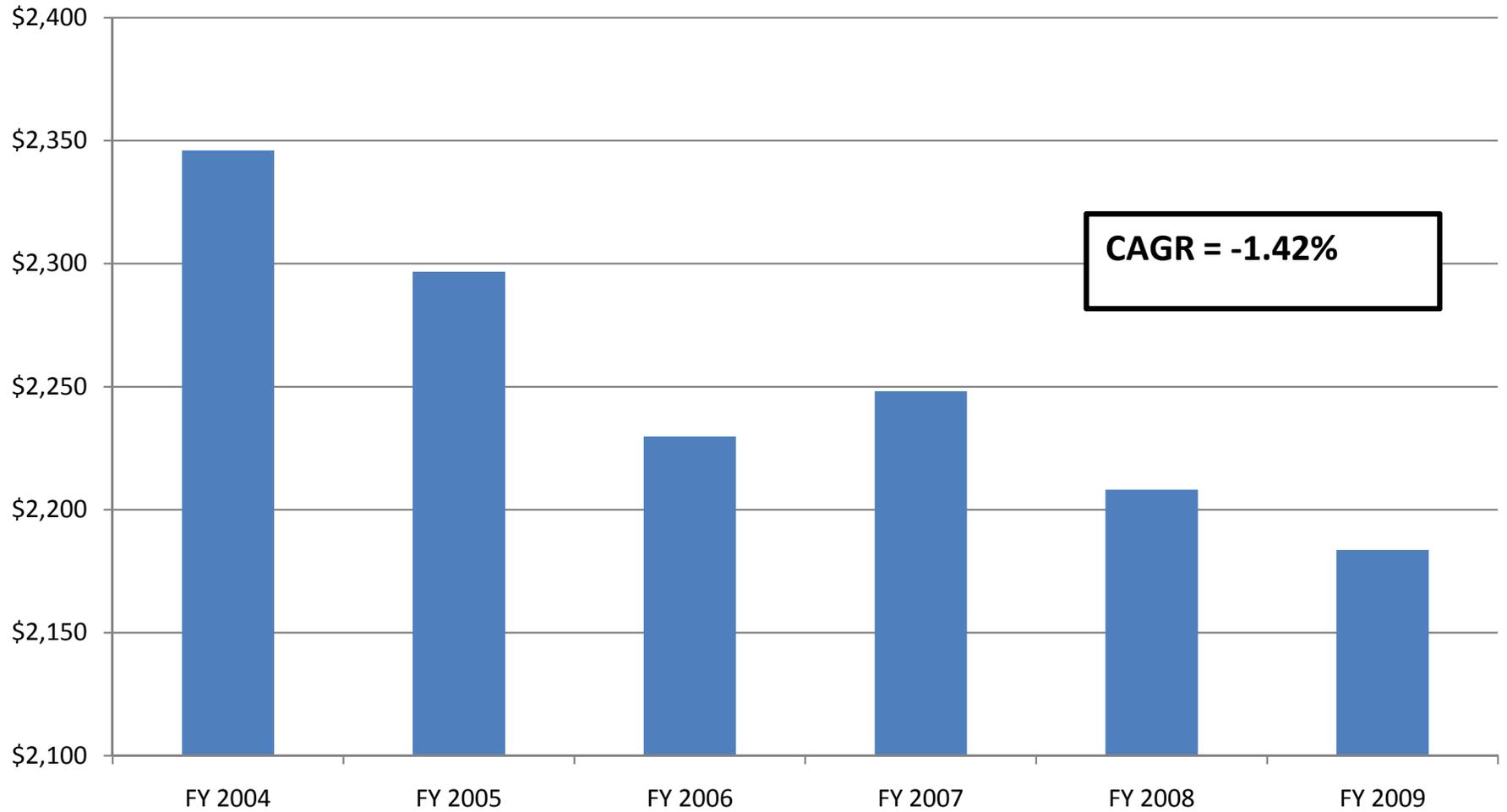
Utilization of federal stimulus dollars prevented Governor Daniels from taking more drastic steps to reduce spending in order to balance the budget. The reversions of \$1.4 billion during the year were attributable to \$530 million in spending constraints, \$536 million in education stimulus dollars, and \$348 million Medicaid stimulus expenditures.

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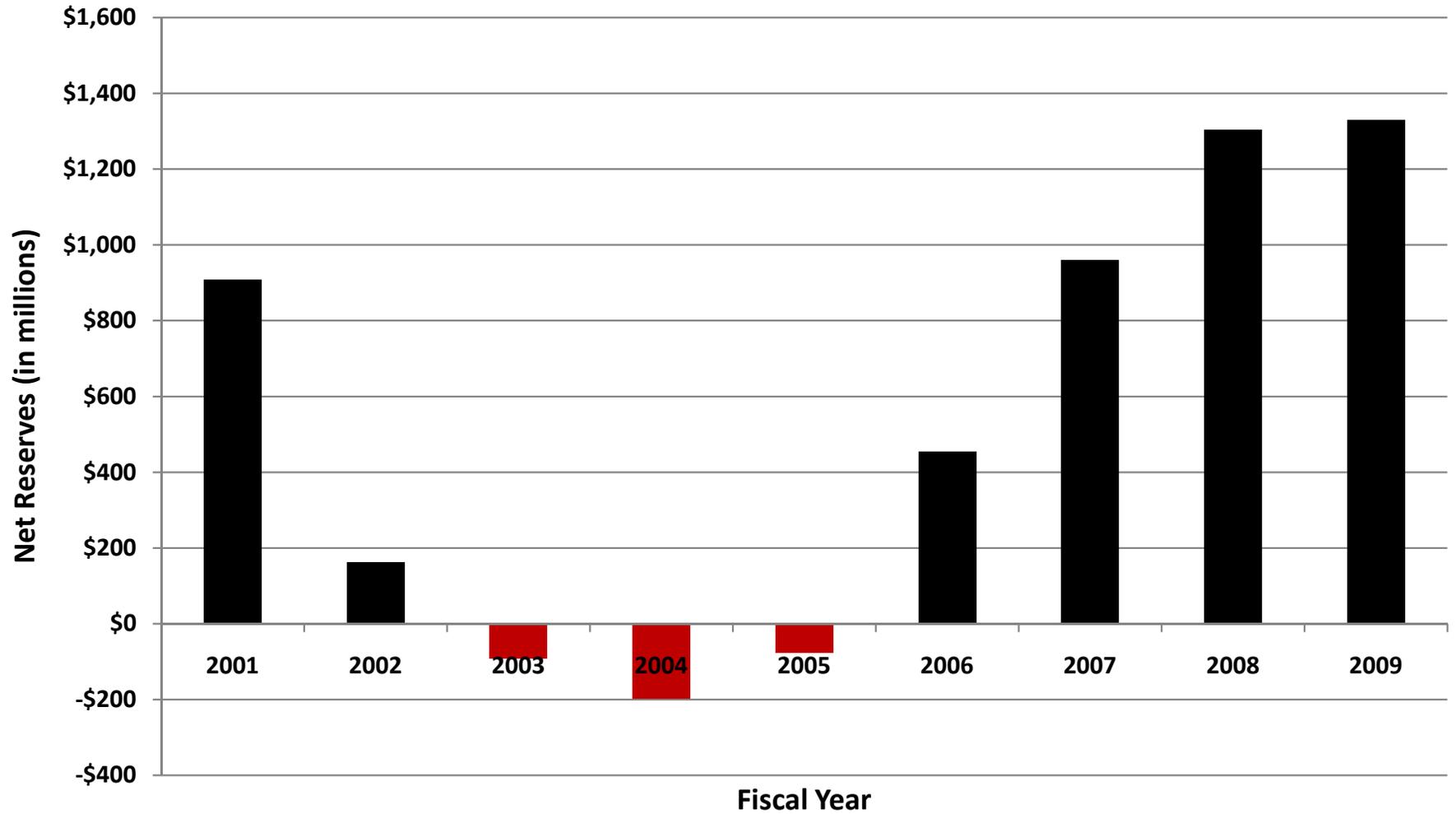
Annual Expenditure Growth



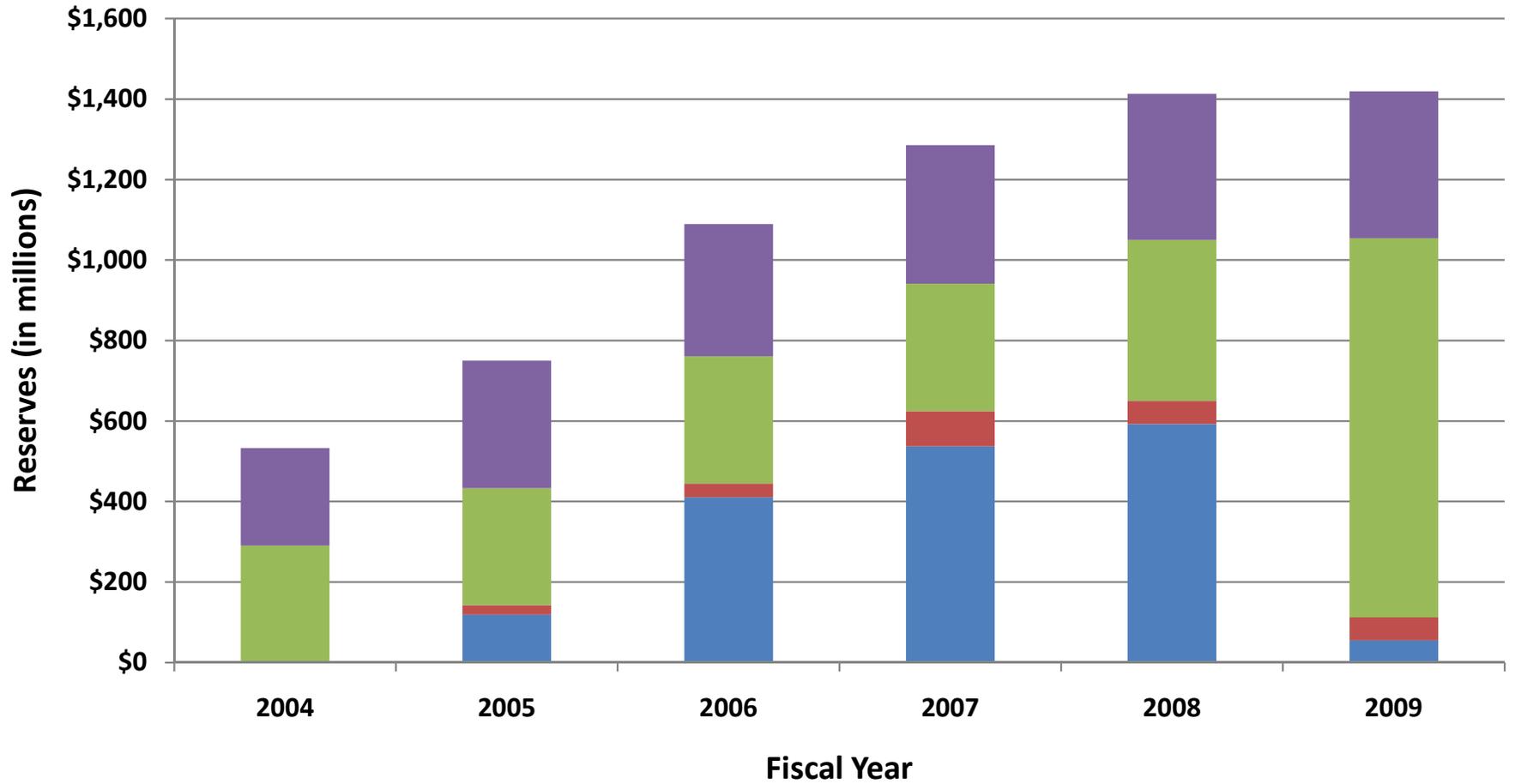
Per Capita Expenditures Adjusted for Inflation



Maintaining State Reserves (Cash balance - liabilities)

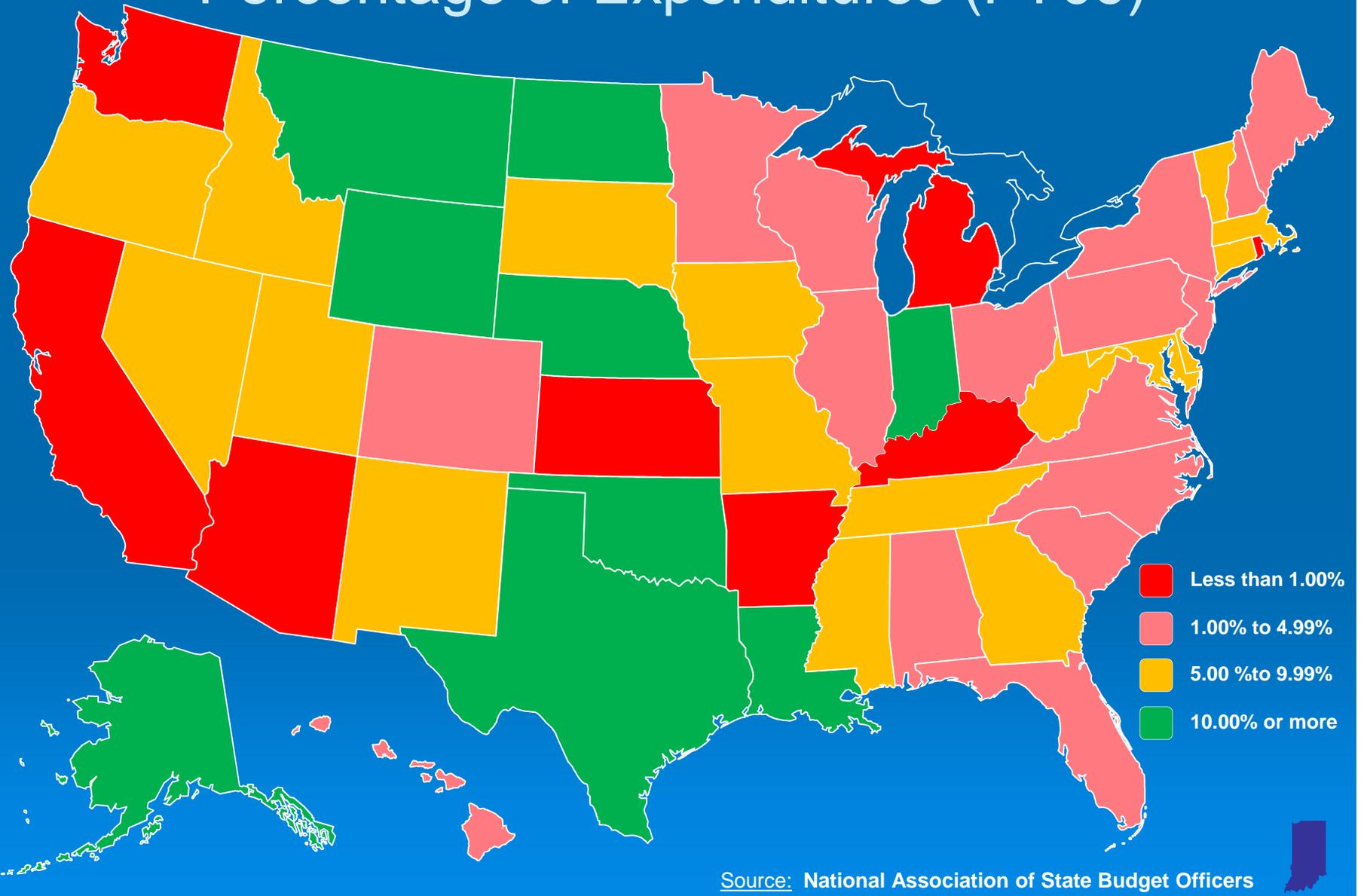


Composition of Combined Balances



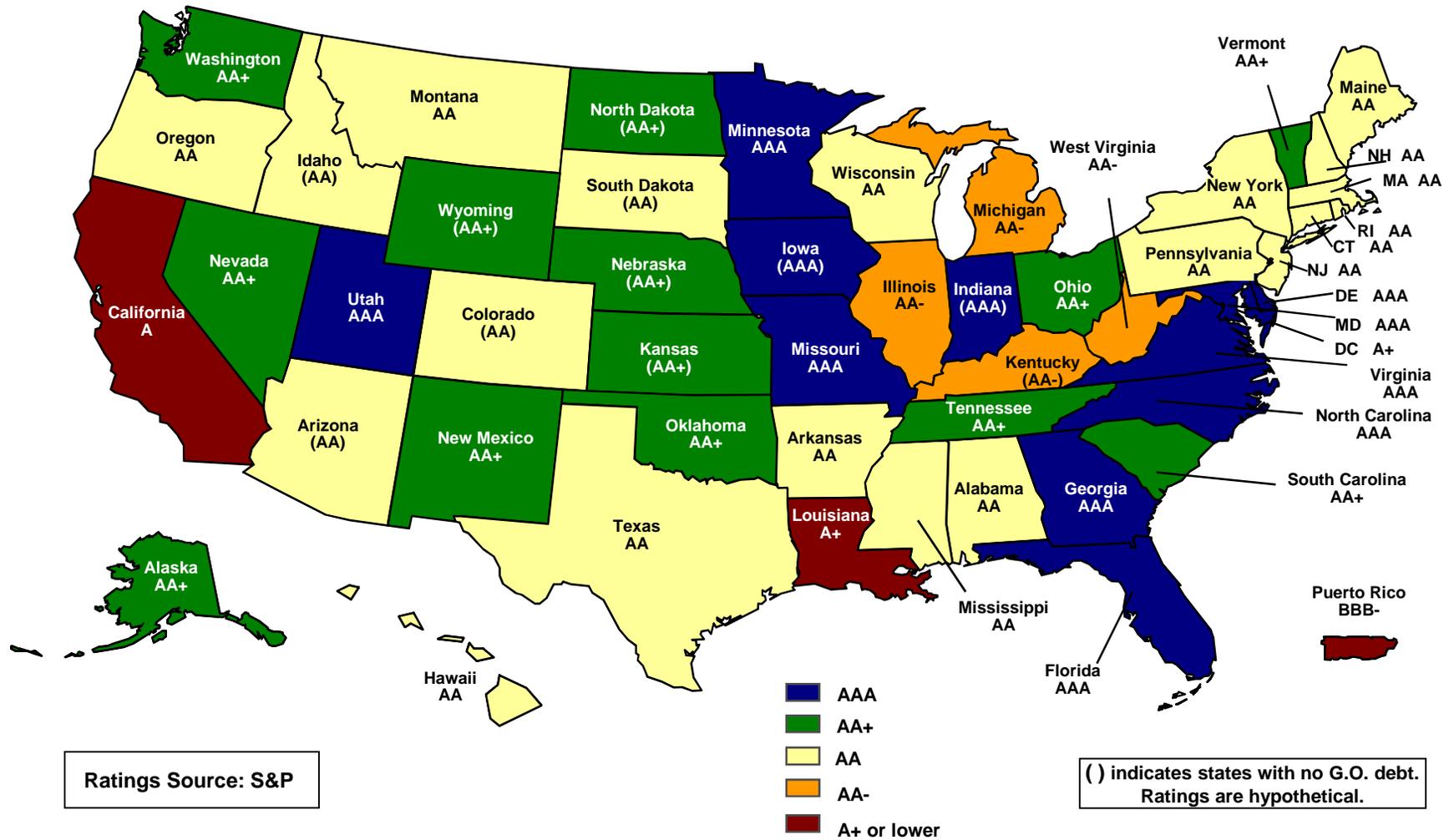
■ General Fund ■ Medicaid Reserve ■ Tuition Reserve ■ Rainy Day Fund

Total Year-End Balances as a Percentage of Expenditures (FY09)





S&P State Credit Ratings – As of July 15, 2009

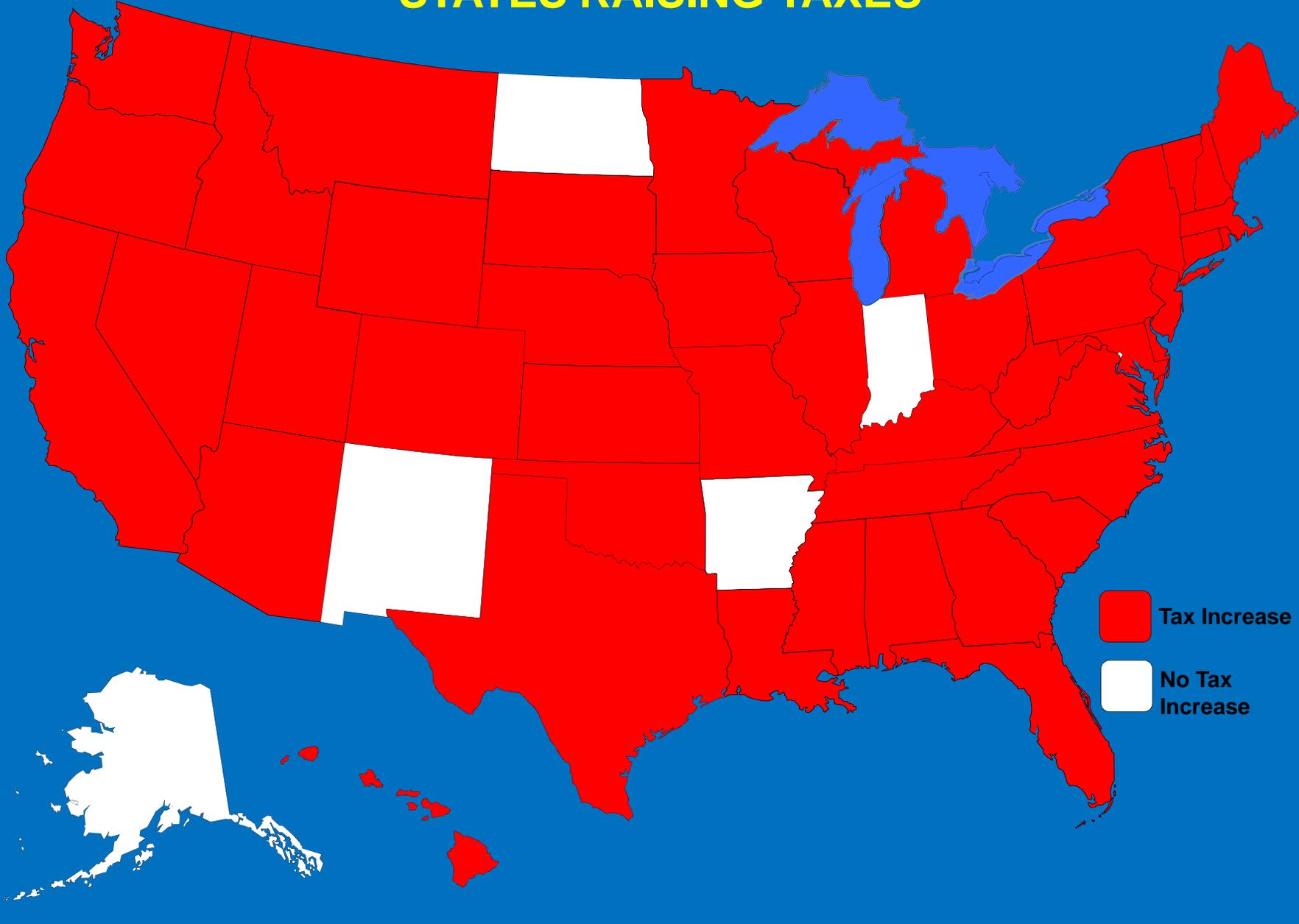




State Credit Rating Downgrades in 2009 – As of July 10, 2009

State	To	From	Rating Agency	Date
Michigan	A+	AA-	Fitch	10-Jul-09
California	A-	A	Fitch	25-Jun-09
Ohio	Aa2	Aa1	Moody's	15-Jun-09
Ohio	AA	AA+	Fitch	10-Jun-09
Nevada	Aa2	Aa1	Moody's	20-May-09
California	A2	A1	Moody's	19-Mar-09
California	A	A+	Fitch	19-Mar-09
Illinois	AA-	AA	S&P	10-Mar-09
Illinois	A1	Aa3	Moody's	3-Apr-09
California	A	A+	S&P	2-Feb-09

STATES RAISING TAXES



STATES CUTTING EDUCATION

